

Secretary of the Navy
Radio Interview with Acting Secretary Thomas B. Modly by
Hugh Hewitt

Speaker:
Thomas B. Modly,
Acting Secretary of the Navy

Transcript:

HH: Joined as I am always pleased to say by Acting Secretary of the Navy Thomas Modly. Acting Secretary Modly, welcome, good to have you with us.

TM: Good morning, Hugh. How are you?

HH: I am great, Mr. Secretary. Challenging times in the Navy. I want to start with the USNI News story this morning – Coronavirus concerns prompt PacFleet to impose a 14 day gap between port visits. I think that's a great idea. How did that develop? And how long do you think that will be in place for?

TM: Well, I think we're monitoring this very, very closely, Hugh. We've been actually looking at this for several weeks now. I know it's sort of come out in the news lately that we're taking these actions, but we've been looking at this for a very long time. And we're going to keep whatever actions and restrictions in place as long as we feel that there may be some risk to our sailors. So we're going to continue to do this and monitor it closely.

HH: Now of course, ships make port calls not just for the benefit of the morale of the sailors, but also because they need to take on supplies, etc. Can everybody handle this very easily?

TM: Oh, I think we are prepared to deal with this for a while. And as it evolves, you know, we'll come up with different contingencies in terms of how we might get supplies out to the ships.

HH: It was also the case in the 1918-1920 pandemic that the Surgeon General of the military and the various branches was pretty much greeted with silence when they went to the brass of the various services. I hope, I expect you'll tell me it's 180 degrees reversed from that now.

TM: No, this has been a very open and transparent process within the Pentagon itself. I've been in briefings on this for at least five weeks now. So, and all the senior political leadership are in the meetings as well as all the senior services chiefs and the surgeon generals. And so this has been a very collaborative effort not just within the Pentagon, but throughout the interagency as well.

HH: I've just got to have you underscore for the civilian population like me, this is an amazing difficulty for deployment schedules, for military families, for every...if you start moving around deployments as a result of Coronavirus, everything gets moved. And it's just really one of those domino sets that just keeps going on forever.

TM: It is true, and I'll, you know, a personal anecdote. My son is an F-16 pilot in Korea right now, and his wife just moved there, and I've been on the phone with him the last couple of days trying to figure out what he should be doing. He was supposed to be coming to the U.S. in a couple weeks to do some advanced training in Nevada, and not really sure whether or not that's going to happen. But you know, we have the ability to adjust to these things, and you

know, we have a pretty good command and control system in the U.S. military, and we're able to take action pretty quickly. So obviously, people are concerned and a little uncertain about what's next, but we have the ability to adapt as this thing does.

HH: I'm sure your daughter-in-law is like every milspouse I know – completely able to deal with anything that comes her way. And thanks to your son and your family for their service as well. Now Secretary Modly, let's talk about this House Armed Services hearing. It came out of the blue for me. I was not expecting Secretary Esper to cut the Navy's shipbuilding budget. And there are reports that it was a surprise to the Navy as well. How do you answer that?

TM: Well, there were some, there are two phases to this, Hugh. There is the normal budget process that we went through, where we made, we as the Department of the Navy, made some very serious choices that traded off readiness for new shipbuilding. And I've hinted with you about this in the past that you know, my position on this is we can't put our sailors and Marines out on platforms that aren't safe and aren't ready. So that was the trade we made. And as you know, we've been digging ourselves out of a really bad readiness hole that evolved over the last several years of the last administration. And so we're pulling out way out of that, and so we had to make some trades in that regard. We also traded off on lethality and increased the number of missiles and ammunition and things like that to get out there onto our ships and for our Marines. At the end game, when we get to the end game of this budget process,

that's when things, you know, final trades are being made. And that's when the Secretary of Defense really has to make those calls. So there were some decisions at the end game to include reprogrammings that were done to fund the border wall, which you know, we don't really get to negotiate on that. Those are sort of presented to us. We don't get a veto. And you know, these are choices that are very hard for the Secretary of Defense to make as well. And it's a tough position for him to be in. But you know, that's why he's in the seat. So we just, of course, it impacts our path to a larger fleet in certain areas, but it does it for a year. And as I said yesterday in my testimony, it just arrests our trajectory. It doesn't stop it. And so we're continuing down that path. It's my responsibility to get a plan in terms of how we can get to 355 ships within a relevant time frame. And for me, that's ten years. And I've talked to you about this before. I'm still going to do that. And then we're going to have to see how we fund it.

HH: Now I personally do not believe Congress will go along with it. I think there's nothing they can do about reprogramming, but they can increase the top line, and they can mandate that it be spent on ships. I am curious if you run two different shipbuilding scenarios, one where Congress actually imposes its will on the department and says you will build these ships, and one where you live under Secretary Esper's proposed budget. Do you run two different shipbuilding scenarios?

TM: Well, Hugh, I mean, that's up to the Congress to decide what they want to tell us to do. My job is just to lay out some options for the Secretary of Defense,

and that's what we're doing right now is we're sort of, this '21 budget was pretty much baked by the time we finished our force structure assessment, this new force structure assessment. So everything that that force structure assessment's going to inform, and as well as whatever plan we decide on for the next ten years, that's going to come out and be impacted in the FY '22. And we're starting that work right now.

HH: Now there is another story out that the budget as proposed would actually have President Trump's fleet at 12 ships fewer than President Obama's 30 year shipbuilding plan that was introduced in 2016. I can't imagine the President when he sees that the DOD is proposing a shipbuilding of a fleet that is smaller than President Obama's will be indifferent to that news.

TM: No, and I'm not, either. I, that is not the path or the trajectory that I want us to be on, either, but this is the sort of, people build a projection based on what happens in one year, and that's not always the most accurate thing to do. We're, right now, we're funded with a top line that's fairly flat or declining based on, if you look at inflation-adjusted. That can fund a fleet of about 305 ships. And that is lower than what President Obama's force structure was driving towards.

However, they weren't anywhere near that, either. I mean, when we, when this administration came in, we only had 275 ships. So we are definitely a larger fleet than any fleet that was, that existed when President Obama was in office. His plan had us driving towards a bigger fleet, but his number was like 320. We're trying to drive towards something that I call 355 plus, which is bigger

than 355 based on the force structure assessment that was done in 2016 – additional platforms, new platforms that have not been designed or in production, yet, and that'll be informed by some of the new war fighting concepts that the Navy and Marine Corps are looking at together. But that's the path that I want us to be on. And you know, obviously at the end of the day, we're going to need to look deep inside our budget line, and I've started an internal review to try and free up some capital to do that from our own budget, because I'm not under any illusion that we're the most efficient organization in the world. I know there's money to be found in how we do things. But at the same time, there is a big math problem, and we need to try and get more top line. And any support we can get for that, we're obviously welcoming it.

HH: You know, when you say we need more top line, I want to translate that for the Steelers fans. That means you need a bigger, robust Navy budget specific to the Navy, to the fleet, to the Marine Corps and the Navy coming from Congress mandated there, which I think you'll get. And you also need the Congress, I think, to deal specifically with the replacement of the Ohio-class ballistic submarine. And I saw the Secretary say look, there, the Air Force has got to pay for bombers and for missiles, and the Navy has got to pay for its submarines. That's true, but it's up to the Congress to actually take a serious look at the triad and fund it.

TM: I have no argument. That is one of the biggest pressurizing things in our budget right now is the Columbia-class submarines. It's our hugest, it's our

most important priority, and yet it's going to be taking up 25-30% of our shipbuilding budget from now, you know, until the next 20 years. And so when you have that, and it's a once in every 40 year capitalization, it really squeezes every other opportunity you have to grow every other part of your fleet substantially. So that is the biggest dilemma we have right now. We're looking for solutions to try and solve that. There's some ideas floating around that I'm looking at with our comptroller to see if we can, there are a lot of unexpired and unobligated dollars that at the end of the year, if we don't spend them, they just go back to the Treasury, and not even Treasury. They're just never spent. And so if there's a way that we can sort of plow that back into shipbuilding or directly into the submarine budget for the Columbia, that would go a long, long way. But when we're talking, we're really only talking about 1-2% more of the DOD, overall DOD topline, in my estimation, for us to get on this path and to get this done in 10 years. So it's a ton of money, obviously, but the topline's pretty big as well. And so I think if we can get that done, we have an opportunity to move on this.

HH: Well, the Congress has to get serious. I mean, they do. I want to ask you in our remaining moments about two specific classes – the Flight-3DDG, and the FFGX. Those are both sort of backbones of the fleet expansion, correct?

TM: Yes.

HH: Are they both on time and under budget?

TM: Well, the FFGX, we have not awarded, yet. I am very, very excited about that ship, though, I will tell you. And this has been a very innovated approach to buying that ship. We, the Congress agreed to allow us to look at foreign designs, and principally, because we wanted to buy a ship that's already proven that's been out there and operating. That cuts almost three years off the acquisition process for a ship. And, also, once you get the ship in place, the testing is reduced significantly, because there's so many of these systems that have already been proven. So we're going to be awarding that here sometime this year. I am very excited about that platform, because it's almost going to be as capable as some of our Flight-2DDG's, and hopefully at half the price. And that's the thing that we really have to be driving towards. I don't know if I've mentioned this to you before, but when we built the 600 ship Navy under President Reagan, in real dollars, the average cost of those ships was about a billion dollars apiece. Today, our current fleet of 295 ships, the average cost of a ship in our fleet in real dollars is two billion. We have to figure out a way to drive that cost curve down if we're going to build a bigger fleet, because I can't, there's no conceivable way that I can increase the size of the fleet by 30% and ask for 30% more topline.

HH: No, of course not, but you can, I mean, people need to understand the FFGX, the lethality of that ship will be so much more than the old guided missile frigate, right?

TM: Oh, absolutely.

HH: I mean, hypersonics, it's just a killer.

TM: Oh, absolutely. It's going to have a large number of missile tubes, and a very, very sophisticated radar, because we're leveraging off the Aegis radar system for this. So it's going to be a fantastic piece of machinery. In addition to that, the electrical power generation on these ships in terms of the requirements we put out there are going to allow this ship to really adopt a lot of new weapons systems to include directed energy and other things as the fleet grows.

HH: Well you know, Secretary Modly, the sooner you make that announcement, the sooner people like me, civilians who don't know much, will say okay, they're finally getting it together, because I know the FFGX is a key to this expansion of the fleet, like the Flight-3DDG, the replacement destroyer. We know what the keys are. We just don't see them, announcement of aware of contract.

TM: Well, stay tuned. It's coming soon, so...

HH: Soon being this spring?

TM: Well, right now, we have it in the budget to award this ship this year. The plan was to try and do it in the latter part of this year. I've asked our assistant

secretary for R, D and A to try and accelerate that earlier. And he's looking into the possibilities for doing that. But obviously, you know, we have acquisition rules, and we want to make sure that we do this in the proper way.

HH: Of course, but do you think it would be wise, I do, if Congress were to provide immunity to challenges on the acquisition of these ships, in other words, we see that the cloud contract is being challenged. That was inevitable given how big it is and the people that are involved. But you're looking hard at these four different ships, whichever one you pick, or the two different ships. If the Congress gives immunity to the decision that you make, then we'd cut time off the acquisition, wouldn't we?

TM: Well, I don't know if that's true or not, Hugh. And that's really not for me to say. I mean, that's really not my business to tell the Congress what they should do. But we have to follow the rules that are in place. We are following the rules that are in place. I don't think that if we have a protest on this, it's going to really delay us that significantly. I think we've done a really, really good job on making sure this has been a fair and open competition, and we'll see what happens when it's awarded.

HH: Last question, Mr. Secretary. If they increase the topline, what do they need to get to 355 in 10 years? Seriously, what's the number they need to add to the Navy?

TM: The plan, so the plan that I'm looking at right now, and this has not been pressure tested, but in order for us to get to 355 within 10 years, it's going to require about \$120 billion dollars more above our current topline, which is a flat, that's assuming a flat topline. So that delta, you know, spread over ten years, if we start ramping up \$5-7 billion dollars more, and our budget this year was \$207 billion dollars, is the Navy and Marine Corps budget.

HH: All right.

TM: We add another, you know, 5% on top of what we have right now, we could definitely...

HH: That would do it.

TM: Yes, sir.

HH: Mr. Secretary, thank you for coming back, always appreciate it.

TM: Okay. Thanks very much, Hugh.

End of interview.